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ABSTRACT

The Education Reform Act 1988 obliges the Local Education Authorities (LEAs) to delegate budgets to the colleges within their control by means of a formula, but does not say what should happen within colleges once the delegated budget has been received. This paper reports some of the outcomes of an action learning and training program, carried out in Hampshire, England, a large county LEA, for budgetary delegation within colleges. The study reviewed various methods of budget devolution within colleges as well as listing budgetary techniques used at the college level. Two extremes of methods of budget distribution internally to a college were explored: the use of a logical follow through of the methods used for budgeting to the college by the LEAs and the curriculum needs method. Of the two, the method based on curriculum needs was recommended for general use by colleges because its concepts (enrollment level, student taught hours, etc.) are familiar and comprehensible to the classroom teacher. Contains three references. (GLR)

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DELEGATING BUDGETS WITHIN ENGLISH COLLEGES: A STUDY OF RESOURCE ALLOCATION

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for Management Research, Policy Analysis, and Planning

This paper was presented at the Thirtieth Annual Forum of the Association for Institutional Research held at The Galt House, Louisville, Kentucky, May 13-16, 1990. This paper was reviewed by the AIR Forum Publications Committee and was judged to be of high quality and of interest to others concerned with the research of higher education. It has therefore been selected to be included in the ERIC Collection of Forum Papers.

Jean Endo
Chair and Editor
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Advisory Committee

ABSTRACT

In England the Education Reform Act 1988 which is to be implemented in the near future provides that Local Education Authorities shall devolve to the colleges under their control delegated budgets arrived at by means of a formula based on workload. However, the Act does not specifically provide for further delegation of budgets within colleges. Nevertheless, devolution of budgets and budgetary control within colleges is regarded as desirable, and this paper reports the result of a study in one large English county which considered a number of possibilities for the delegation of budgets within colleges.

1. INTRODUCTION

Following the implementation of the Education Reform Act (ERA) 1988 in England Local Education Authorities (LEAs) will be obliged to delegate budgets to the colleges within their control by means of a formula. The Act is silent, however, on what should happen within colleges once the delegated budget has been received. It is clear, however, that thinking in the Department of Education and Science (DES) and, indeed, the whole approach taken by the ERA (and as supplemented by DES Circular 9/88), would favour further delegation of budgets within colleges to the particular cost centre managers who would need to deliver the budget outcomes.

This paper reports some of the outcomes of an action learning and training programme for budgetary delegation within colleges, carried out in Hampshire, a large county LEA. It draws on a more comprehensive budgeting manual produced as part of the project (**Birch, Latcham and Spencer 1990**). The project team worked, together with the LEA officers, with a number of colleges, exploring different methods of budget devolution within colleges.

The project aims and objectives were:

(i) in the context of the ERA and the county's scheme for financial delegation under the Act, to explore the issues and problems presented by the new planning and resource allocation and control processes and procedures in the county's pilot schemes, and to identify solutions;

(ii) to ensure that the recommendations of the Joint Efficiency Study Group (DES/WO 1987) with respect to performance appraisal, costing and budgeting are taken into account and integrated into the systems design;

(iii) to prepare a "management budgeting" manual;

(iv) to design, develop and test an appropriate training programme for the county; and

(v) as a result of the above, to design and develop appropriate training programmes with supporting materials for other LEAs; and to otherwise disseminate the outcomes.

The process by which the LEA determines the budgets for its colleges is to be based on target full-time equivalent (FTE) students by programme area, a programme area being a cluster of related courses. The programme areas are differentially weighted to allow for differences in cost of different types of provision.

One possibility for colleges, having received their delegated budgets, would be to follow through the logic of the LEA budget distribution to the colleges, in order to arrive at budgets for departments (or teaching cost centres, however organised). However, it seems likely that in many colleges this would not be a practicable method for allocating monies internally, as the disjunctions with the present situations are likely to be so great as to be unmanageable. Indeed, work on this project has displayed this kind of

distribution on this basis as a paper exercise, so that the messages the LEA wished to communicate become clear within the college.

However, colleges will need to develop their own internal formulae, or other methods of internal budget distribution. This paper discusses one alternative method which could be used, and considers the nature of the outcomes of these two methods of internal college distribution.

2. BUDGETING AT THE COLLEGE LEVEL: TECHNIQUES

THE CASH LIMITED BUDGET

Most local authorities present colleges with a cash limited net budget. A series of adjustments to the formula calculation are illustrated in Table 1

ADJUSTMENT

In Hampshire a 'mitigation' process is to be applied to minimise the effects of year-on-year changes. Comparison of the formula allocation is made against a base budget derived from the 1989-90 budget adjusted for price changes and changes in FTE allocation. The outcome of this process will reduce the effects of year-on-year changes. The adjustment process will be phased out by 1993-94. In Table 1 the adjustment reduces an increase over base budget resulting from the formula.

CAPITAL SPENDING ALLOWANCES

Authorisation of expenditure from the county council's capital programme is reserved to the council but two forms of grant are provided. An earmarked allocation for minor alterations costing less

Table 1 : Cash limited net budget

Weighted FTE		1000.00
		£000s
Unit of Resource		2.00
Gross formula allocation		2000.00
deduct	£000s	
Mitigation adjustment	-50.00	
	1950.00	
Add		
Capital - minor works	20.00	
Capital	50.00	
PCFC	70.00	
Earmarked grants	50.00	
Development grant	20.00	
sub total	210.00	
		2160.00
deduct		
Target revenue (Note 1)	-60.00	
		2100.00
Add		
Inflation allowance (4.5%)		94.50
Cash Limited Net Budget		2194.50

Note 1: This target excludes commercial operations

than £25,000 can be provided against a college submission and, in addition, an earmarked allocation is provided for capital equipment (costing more than £6000 but less than £75,000). This is allocated in proportion to weighted FTE, but governing bodies may decide which items are to be purchased.

POLYTECHNICS AND COLLEGES FUNDING COUNCIL

The county council will pass on any allocation for PCFC provision for full-time courses of higher education, although it may deduct an administrative charge. Part-time provision of higher education courses by the LEA is included in the formula allocation.

EARMARKED GRANTS

Earmarked grants may be provided for a number of purposes. One of these is to cover the cost of council-provided administrative and advisory services. Other earmarked grants may be provided for redundancy and premature retirements, for Education Support Grants (ESG) or grants from the European Social Fund (ESF). The particular feature of earmarked (and PCFC) allocations is that within the college they must be directed to the cost centres providing the service and not applied in any internal formula process.

The LEA maintains a development fund from which earmarked grants may be made against college submissions for such purposes as staff development, management information systems, or curriculum initiatives.

TARGET REVENUE

Each college agrees with the LEA on a target for tuition fees. These are the fees for courses handled within the formula but do not include, for example, fees from PCFC funded courses, income from commercial activities (including, in Hampshire, a proportion of Youth Training Scheme (YTS) and integrated training courses) and revenue from link courses. There is also an agreement regarding revenue targets for sales and charges.

INFLATION ALLOWANCE

Local authority budgets are constructed on the basis of November prices in the preceding year. The inflation allowance provided in the distribution may well be less than the inflation expected. County councils often expect spending departments to take up a proportion of inflation through 'efficiency improvements'. Levels of inflation are in any case difficult to predict.

CASH LIMIT

The resulting budget is cash limited. This means that no further allowance will be made for inflation. The most likely cause of difficulty would be an increase in academic staff salaries beyond that provided in the restricted inflation allowance. Colleges need to make contingency provision for this as well as for any other unexpected problems which might arise. There might, for example, be short-falls on target tuition fees. In the event that there was an unexpectedly high salary award it would be necessary to look first to the college contingency fund and reserves, then to the LEA colleges contingency fund, and then to any other unspent funds within the general colleges budget. In an extreme case the LEA might be prepared to look to other county council reserves.

INTERNAL DISTRIBUTION

The first stage of internal budget distribution to cost centres will exclude any earmarked items. The sum to be distributed for expenditure by cost centres will be the gross formula allocation adjusted by the base budget compensation adjustment.

In order to allocate to academic cost centres it is necessary to estimate the costs of the college central administration (including premises) and central services such as library, computer and welfare. Estimates will be made on the basis of recent history and current expenditure. These indirect costs are subtracted from the compensated gross calculation. It should be recognised that, whereas target student predictions are made for the academic year, LEA budgets cover the financial year. Thus an academic year covers about 7/12 of the current financial year and 5/12 of the next. Computed over an academic year the budget might need to be increased by about one-third of the anticipated inflation allowance for the following financial year. Table 2 derives a sum for internal distribution of direct costs

In Table 2 no allowance has been made in respect of over or under-spending from earlier years. Over-spending would need to be taken into account through a deduction from the amount available for distribution. Some or all of the underspending from previous year could be added to the distribution, with any balance being held in college contingency reserves.

Table 2: Budget for direct costs

		£000s
Gross formula allocation		2000.00
deduct	£000s	
Mitigation adjustment	-50	
Administration & central charges	-570	
Contingency	-200	
sub total	-820	
Available for distribution		1180.00

DISTRIBUTION TO ACADEMIC COST CENTRES

There are two fundamental approaches to a distribution of the available direct costs budget for academic departments (or teaching cost centres). The first approach is an extension of the position audit, to ascertain the cost of providing for the target population by means of current delivery practices in respect of course hours, class size and lecturer loading. A second approach would be to pursue the logic of the local authority allocation to the college, using the target enrolments with the county mode conversions and programme area weightings.

ACADEMIC MATRIX

Whichever approach is adopted it is first necessary to establish the **academic matrix database**, which shows, for every course, target enrolment, total course hours and the number of hours provided by each of the academic cost centres. **Figure 1** sets a scenario for the exemplary calculations which follow. It is important to stress that this simulation deals with only a few courses out of the several hundred which would be encountered in even a small college. It uses data drawn from a number of sources which do not necessarily reflect national averages or the data for any particular college. The simulation is further simplified by taking the case of a college with three departments, X, Y and Z, in four budget programme areas. Table 3 illustrates the academic matrix database for this college. In this Table, general education courses are not specified individually but have been aggregated by mode of attendance.

Figure 1

Scenario

(i) College with three departments

art & design	(X)
business and general studies	(Y)
engineering mathematics and computing	(Z)

(ii) Four programme areas:

engineering	(ENG)
business studies	(BS)
art & design	(A & D)
general education	(GE)

(iii) Programme areas weights:

engineering (ENG)	1.6
business studies (BS)	1.0
art & design (A & D)	1.25
general education (GE)	1.0

(iv) Mode conversion factors:

full-time (F)	1.0
part-time day and evening release (DER)	0.4
part-time (day) 2 sessions (PT[2])	0.3
part-time (evening) 1 session (PT[1])	0.1

(v) Unit of resource: £2000

(vi) The college's estimates of expenditure for the current year (i.e. the year immediately preceding the budget year) are set out in table 8 page below.

Table 3: Academc matrix-course hours 1990/91

Programme area	Course hours by department			Target enrolment
	X	Y	Z	
Engineering				
BTEC OND Engineering	-	-	900	100
BTEC ONC Engineering	-	-	324	150
C & G Mechanics	-	-	288	25
Business studies				
BTEC OND Business	-	648	72	200
BTEC ONC Business	-	288	-	100
Art & Design				
BTEC OND Art & design	900	72	-	100
General education				
Full-time courses	110	450	190	200
2 session A levels				
Business & general	-	216	-	300
Engineering	-	-	216	100
1 session GCSE				
Art	108	-	-	100
Business & general	-	108	-	230
Engineering	-	-	108	100

Table 4 shows in simplified form the CIPFA matrix of estimates for the current year (1989/90). They will provide guidance as to the historic breakdown of expenditure. They are used in particular to derive unit lecturer costs, costs of support staff, and that part of expenditure on supplies and services under the control of teaching cost centre managers.

WORKLOAD MEASUREMENT

There are several ways in which workloads can be measured. Under various circumstances any of the following might be used: FTE enrolment, weighted FTE enrolment, lecturer contact hours, and student-taught hours.

Recent experience shows that, particularly for colleges without fully developed computerised management information systems, it is probably best to use student-taught hours - the product of student numbers and contact hours - as the basis of distribution.

FULL-TIME GENERAL EDUCATION AND 'A' LEVEL STUDIES

In most cases there is little difficulty in establishing the workload imposed on each department for many courses, but some difficulty exists with full-time general education students who are offered a wide choice of subjects. Students may be undertaking various combinations of A level and GCSE subjects. In general it is not easy to obtain aggregate information about student timetable choices; it is therefore suggested that a sampling be carried out each year so as to provide a basis for loading predictions. A minimum 20 per cent sample is suggested.

Table 4: Estimates 1989/90 £000s CIPFA matrix of estimates

Expenditure head	Academic depts			Central admin	Premises	Central learning resources	Total
	X	Y	Z				
Staff							
Academic	200	510	640	70	-	20	1440
Technical/ support	12	12	60	25	-	11	120
Admin/ clerical	5	10	10	95	-	10	130
Other	-	-	-	100	-	-	100
Premises	-	-	-	-	130	-	130
Supplies & services	20	10	40	30	-	20	120
Transport	-	-	-	40	-	-	40
Other	-	-	-	40	-	-	40
Totals	**237**	**542**	**750**	**400**	**130**	**61**	**2120**

Note 1: *These estimates cover all activities of the college including expenditure on PCFC and cost recovery courses.*

Note 2: *PCFC and cost recovery courses must contribute to central charges (central administration, premises, central learning resources).*

3. DEPARTMENTAL AND PROGRAMME BUDGETS - FOLLOWING THE LOGIC OF CURRICULUM NEED

DEPARTMENTAL BUDGETS

Table 5 takes enrolments to courses shown in Table 3 and calculates for each department the predicted annual workload in terms of student taught hours

Table 6 is a summary matrix of the data in Table 5.

Table 7 shows an analysis of departmental direct costs extracted from Table 4. It is used, first, to determine for each department an average unit cost for academic staff and second, to determine the ratio total direct cost to academic staff cost, giving an on-cost multiplier. The academic staff cost has been updated by applying an estimate for inflation of academic staff costs - seven per cent increase has been applied in Table 7. (The seven per cent is an internal college estimate of inflation of academic staff costs only, as distinct from the 4.5 per cent over-all inflation allowance made by the LEA, referred to in Table 1.)

Table 8 takes the predicted student-taught hour workloads of Table 6 and applies two assumptions about target class sizes and lecturer workloads. Departmental class sizes will vary depending on the subject and the teaching methods used. It is necessary to establish a target average class size for each department. Application of the target average class size yields a prediction of class contact hours. Dividing this in turn by a target average lecturer hours yields a

Table 5: Predicted workload matrix Student taught hours

Budget Programme Areas	Predicted student taught hours by department			Total
	X	Y	Z	
I ENG				
BTEC OND Eng	-	-	90,000	90,000
BTEC ONC Eng	-	-	48,600	48,600
C & G Mechanics	-	-	7,200	7,200
I BS				
BTEC OND Bus studies	-	129,600	14,400	144,000
BTEC ONC Bus studies	-	28,800	-	28,800
III A & D				
BTEC OND A & D	90,000	7200	-	97,200
IV GE				
Full-time courses	22,000	90,000	38,000	150,000
2 session A levels	-	64,800	21,600	86,400
one-session GCSE	10,800	24,840	10,800	46,440
	122,800	345,240	230,600	698,640

Table 6: Summary workload matrix Student taught hours

Budget Programme Areas	Departments X	Y	Z	Totals
Eng			145,800	145,800
BS		158,400	14,400	172,800
A & D	90,000	7,200		97,200
GE	32,800	179,640	70,400	282,840
Totals	**122,800**	**345,240**	**230,600**	**698,640**

Table 7: Departmental direct costs: Unit academic staff cost and on-cost multipliers

Expenditure headings	Departments X	Y	Z	Totals
Academic staff (£000s)	200	510	640	1350
Technician/support (£000s)	12	12	60	84
Admin/clerical (£000s)	5	10	10	25
Supplies & Services (£000s)	20	10	40	70
Total (£000s)	237	542	750	1529
1. FTE Staff (Note 1)	17.09	38.35	39.75	
2. Annual Cost/FTE teacher (£000s)	11.7	13.3	16.1	
3. On Cost Multiplier = Total Direct Cost / Academic Staff Cost	1.19	1.06	1.17	
4. Predicted Cost/FTE teacher 1990-91 (Note 2) (£000s)	12.5	14.2	17.2	

Note 1: *FTE Staff* = *Total full-time staff*

\- *Approved abatements (not remission)*

\+ $\frac{\textit{Part-time HE hours}}{\textit{18 x 36}}$

\+ $\frac{\textit{Part-time FE hours}}{\textit{21 x 36}}$

Note 2: *Academic Staff unit cost increased by 7% for 1990-91 to allow for estimated salary inflation.*

Table 8: Derivation of departmental budgets from workloads - LEA programme

Department	X	Y	Z	Total
Student-taught hours (Table 10)	122,800	345,240	230,600	698,640
Target class size (ACS)	16	16	15	
Contact hours	7675	21,577	15,373	
Target weekly ALH	19	17.5	17	
Annual ALH	684	630	612	
Predicted staff FTE	11.2	34.25	25.12	
Predicted cost per FTE (Table 11) (£000s)	12.5	14.2	17.2	
Academic Staff Cost (£000s)	140.00	486.35	432.06	
On-cost multiplier (Table 11)	1.19	1.06	1.17	
Estimated direct cost (£000s)	166.60	515.53	505.51	1187.64

Note: No allowance included for PCFC or full-cost courses

predicted FTE staff number. This, combined with the average staff cost predicted for the department, yields a staffing cost for the new academic year.

Taken in conjunction with the hours allocated to full-time courses as shown in Table 3, the use of target Average Class Size (ACS) and Average Lecturer Hours (ALH) amounts to the application of a target Student Staff Ratio (SSR) for each department. If the total for budgets for departments generated in this way is significantly higher than the total amount available for distribution, it will be necessary to adjust the parameters ACS and ALH until a match is achieved. In an extreme case the allocation of course hours might also be called into question.

It has to be appreciated that this first stage of budget construction is being carried out before the start of the financial year. It is likely to be updated frequently before the start of the academic year, and there will be a crucial re-appraisal once enrolment stability has been achieved and target enrolments can be replaced by actuals. It is also likely that revision will be necessary during the year as, for example, when actual pay awards and price changes are determined.

The estimated staffing cost has to be converted to a total direct cost - this can be done roughly by using the multiplier established in Table 7. This gives only a first approximation and better estimation of on-costs may be possible in later stages. It might be possible to establish supplies and services costs in terms of FTE students or, perhaps, to find a cost per thousand student-taught hours. For the present, however, the crude approximation of the multiplier can be used.

PROGRAMME BUDGETS

A fully developed budgeting system contains a package of inter-related budgets. These are constructed in line with (a) the organisation's structure and managerial responsibilities; and (b) the organisation's major products and services - its 'programmes'. So far the concern has been mostly with academic and central services departments, i.e. the college's structure. It is also necessary to examine programme budgets, however, for it is programme area budgets which explore what is obtained from the investment made.

The four steps leading to a programme budget for teaching activities are as follows:

1 - set admissions policies (target enrolments) or otherwise forecast enrolments to the various courses/programmes (see Table 3);

2 - determine for each academic department the total student taught hours a given mix of students from different courses/programmes will require of it (see Tables 5 and 6);

3 - calculate the academic and support staff, supplies and services costs associated with servicing the required number of student taught hours in each department (see Table 7);

4 - distribute the direct department costs to the various courses/programmes it services in proportion to the flow of student taught hours from the department to the courses/programmes.

The first three of these four steps are identical to those already illustrated in Tables 3, 5, 6 and 7. Table 9 which illustrates the final step, shows the matrix of academic department and programme area budgets, where the programme area budgets are derived from distributing the academic department budgets of Table 8 in proportion to the student taught hours provided to each programme area as shown in Table 6. It is also possible to calculate the cost per student taught hour for departments and for programme areas.

PROGRAMME AND DEPARTMENTAL BUDGETS FOLLOWING THE LOGIC OF THE LEA FORMULA

There is no statutory obligation upon a college to follow the logic of the LEA formula distribution of budgets to colleges for internal distribution within the college. Indeed, recent experience has shown that to do so would in many cases create disjunctions with the present position so great as to be unmanageable. It is, however, desirable that colleges consider the effects of applying the logic of the LEA distribution to an internal distribution, if for no other reason than to gain an understanding of the LEA's messages to the college.

Table 10 takes the enrolment pattern of Table 3 and calculates weighted FTE students by programme area.

Table 6, which summarises the workload predictions in Table 5, is repeated here as Table 10a.

Table 9: Curriculum needs driven direct costs budgets (£000s)

Budget Programme Areas	Departments X	Y	Z	Total	Cost/student hour £
Eng	-	-	319.62	319.62	2.192
BS	-	236.53	31.57	268.10	1.552
A & D	122.10	10.75	-	132.85	1.367
GE	44.50	268.25	154.32	467.07	1.651
Totals	**166.60**	**515.53**	**505.51**	**1187.64**	**1.699**
Cost/student hour (£)	1.357	1.493	2.192	1.699	

Table 10: Weighted FTE students by programme area

Budget Programme Area	Course	Mode	Mode multiplier	Mode moderator	Target enrol.	Target FTE	Prog weight	Weighted FTE
Eng								
	BTEC OND	F	1.0	1.0	100	100		
	BTEC ONC	DER	0.4	1.0	150	60		
	C & G	DER	0.4	1.0	25	10		
	Total Engineering					170	1.6	272
BS								
	BTEC OND	F	1.0	1.0	200	200		
	BTEC ONC	DER	0.4	1.0	100	40		
	Total Business Studies					240	1.0	240
A & D								
	BTEC OND	F	1.0	1.0	100	100		
	Total Art & Design					100	1.25	125
GE								
	Full-time	F	1.0	1.0	200	200		
	2-session	(PT(2)	0.3	1.0	400	120		
	1 session	(PT(1)	0.1	1.0	430	43		
	Total General Education					363	1.0	363
		TOTAL						1000

Table 10a: Summary workload matrix - student taught hours

Budget Programme Area	Departments X	Y	Z	Totals
ENG			145,800	145,800
BS		158,400	14,400	172,800
A & D	90,000	7,200		97,200
GE	32,800	179,640	70,400	282,840
Totals	**122,800**	**345,240**	**230,600**	**698,640**

Table 11 gives budgets for the programme areas based on the gross formula allocation (see Table 2).

Table 2 shows that from the gross formula allocation of £2,000,000, deductions need to be made of £50,000 in respect of mitigation adjustment, £570,000 for administration and central charges and £200,000 for college contingency, leaving a total of £1,180,000 available for distribution to academic departments. Thus the unit of resource becomes £1,180,000/1000 weighted FTEs, giving £1,180. The programme area budgets then available for distribution to academic departments are set out in Table 12.

The programme area delegated budgets calculated above can be distributed to departments in proportion to the predicted workload of student taught hours as illustrated in Table 10a. Table 13 displays this distribution.

This distribution differs significantly from that arrived at on the basis of curriculum need and illustrated in Table 8.

Table 14 compares the departmental and programme budgets derived by the two methods.

A comparison of the departmental totals will indicate the extent of the discrepancies. As compared with the curriculum derived budget the formula would increase staffing of Departments X and Y by about one and a half and two posts respectively and reduce department Z by three posts. There can be many reasons for the discrepancies. Actual course hours may not match the county mode weightings or relative costs in this college may not match the relative programme weightings chosen by the county. In the example, Department Z clearly has a fairly highly graded staff - probably an accident of history. In the early stages of formula budgeting, quite serious discrepancies must

Table 11 : Programme Area Budgets - gross formula allocation

Budget Programme Areas	Weighted FTE students	Budget in £000s
ENG	272	544
BS	240	480
A & D	125	250
GE	363	726
Totals	**1000**	**2000**

Table 12: Programme Area Budgets - net formula allocation

Budget Programme Areas	Weighted FTE students	Budget in £000s
ENG	272	320.96
BS	240	283.20
A & D	125	147.50
GE	363	428.34
Totals	1000	1180.00

Table 13: Formula budgets distributed in proportion to predicted student taught hours : £000s

Budget Programme Areas	Departments X	Y	Z	Total
ENG	-	-	320.96	320.96
BS	-	259.60	23.60	283.20
A & D	136.57	10.93	-	147.50
GE	49.67	272.05	106.61	428.34
Totals	**186.24**	**542.58**	**451.17**	**1180.00**

Table 14: Comparison of departmental and programme budgets

	Departments			
	X	Y	Z	Totals
LEA formula	186.24	542.58	451.17	1180.00
Curriculum need	166.60	515.53	505.51	1187.64

	Programme Areas				
	ENG	BS	A&D	GE	Totals
LEA formula	320.96	283.20	147.50	428.34	1180.00
Curriculum need	319.62	268.10	132.85	467.07	1187.64

be expected between the two methods. Very few local authorities had cost information on which to base weightings. As cost information is collected, weighting can be expected which more clearly reflects cost differentials as well as giving 'steers'.

4. CONCLUSION

This paper has explored two extremes of methods of budget distribution internally to a college, by means of a simulation. The method based on curriculum need is the one which is being recommended for general use by colleges. Although a number of other methods of budget distribution were piloted in one of the Hampshire colleges, it was found in the course of the work that many Hampshire colleges could not provide the management information necessary for a budget distribution based, for example, on departmental SSRs. This is thought to be the case in many English colleges. The curriculum needs method also has the advantage that it uses concepts familiar and comprehensible to the classroom teacher: enrolments and student taught hours; average class size; and average lecturer hours.

This paper has not gone into any detail on the formula distribution from the LEA to its colleges; on the strategic planning which will be necessary for the effective and efficient implementation of devolved budgeting within colleges; on budgeting for commercial activities; or on the systems for monitoring and control which will be necessary. All these issues are, however, dealt with in the published version of the budgeting manual on which this paper draws (Birch, Latcham and Spencer 1990), This paper has, rather, focussed on the technical issues of internal college budget distribution.

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